

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Chapter 828, Statutes of 1997

July 1, 1997, through June 30, 2004



JOHN CHIANG
California State Controller

February 2011



JOHN CHIANG
California State Controller

February 3, 2011

Danny Tillman
President, Board of Education
San Bernardino City Unified School District
777 North F Street
San Bernardino, CA 92410

Dear Mr. Tillman:

The State Controller's Office audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$5,290,696 (\$5,291,696 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,248,028 is allowable and \$4,042,668 is unallowable. The costs are unallowable primarily because the district claimed unsupported or ineligible costs. The State made no payment to the district. The State will pay allowable costs claimed, totaling \$1,248,028, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb:wm

cc: Arturo Delgado, Ed.D, Superintendent
San Bernardino City Unified School District
Gary Thomas, Ed.D, County Superintendent of Schools
San Bernardino County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
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Department of Finance
Jay Lal, Manager
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State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$5,290,696 (\$5,291,696 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,248,028 is allowable and \$4,042,668 is unallowable. The costs are unallowable primarily because the district claimed unsupported or ineligible costs. The State made no payment to the district. The State will pay allowable costs claimed, totaling \$1,248,028, contingent upon available appropriations.

Background

Chapter 828, Statutes of 1997, amended Education Code sections 60607, 60609, 60615, and 60630, and added Education Code sections 60640 through 60641, and 60643. Chapter 828, Statutes of 1997, and the implementing regulations at Title 5, *California Code of Regulations*, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testing that school districts must administer to pupils in the state.

The STAR Program requires school districts, between March 15 and May 15 of each year, to test all students in grades 2 through 11 with a nationally-normed achievement test designated by the State Board of Education. School districts administered the Stanford Achievement Test, Ninth Edition (SAT-9) test in English to all pupils enrolled in grades 2 through 11 from fiscal year (FY) 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test, the Spanish Assessment of Basic Education, Second Edition (SABE/2), to every Spanish-speaking pupil of limited English proficiency who was enrolled in grades 2 through 11, if the pupil was initially enrolled in any public school in the state fewer than 12 months prior to the date that the English language SAT-9 test was given. School districts are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

**Objective, Scope,
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Standardized Testing and Reporting Program for the period of July 1, 1997, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the San Bernardino City Unified School District claimed \$5,290,696 (\$5,291,696 less a \$1,000 penalty for filing a late claim) for costs of the Standardized Testing and Reporting Program. Our audit disclosed that \$1,248,028 is allowable and \$4,042,668 is unallowable. The State made no payment to the district. The State will pay allowable costs claimed, totaling \$1,248,028, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued the draft report on January 6, 2011. Mohammad Z. Islam, Chief Business and Financial Officer, responded by e-mail on February 3, 2011, agreeing with the audit results. This final report includes the unsigned letter attached to the district's e-mail response.

Restricted Use

This report is solely for the information and use of the San Bernardino City Unified School District, the San Bernardino County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

February 3, 2011

Schedule 1— Summary of Program Costs July 1, 1997, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1997, through June 30, 1998</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 26,085	\$ 24,415	\$ (1,670)	Finding 1
Test materials, supplies, and equipment	11,753	—	(11,753)	Finding 1
Pre-test and post-test coordination	641,329	374,842	(266,487)	Finding 1
Test administration	4,151	146,705	142,554	Finding 1
Reporting and recordkeeping	73,052	27,432	(45,620)	Finding 1
Total salaries and benefits	756,370	573,394	(182,976)	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	11,155	11,155	Finding 2
Total materials and supplies	—	11,155	11,155	
Total direct costs	756,370	584,549	(171,821)	
Indirect costs	44,928	34,722	(10,206)	Findings 1, 2
Total direct and indirect costs	801,298	619,271	(182,027)	
Less offsetting savings/reimbursements	—	(425,044)	(425,044)	Finding 3
Total program costs	\$ 801,298	194,227	\$ (607,071)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 194,227		
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 27,114	\$ 16,434	\$ (10,680)	Finding 1
Test materials, supplies, and equipment	12,213	—	(12,213)	Finding 1
Pre-test and post-test coordination	679,466	252,673	(426,793)	Finding 1
Test administration	4,250	91,667	87,417	Finding 1
Reporting and recordkeeping	48,006	20,249	(27,757)	Finding 1
Total salaries and benefits	771,049	381,023	(390,026)	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	8,351	8,351	Finding 2
Total materials and supplies	—	8,351	8,351	
Total direct costs	771,049	389,374	(381,675)	
Indirect costs	35,314	17,833	(17,481)	Findings 1, 2
Total direct and indirect costs	806,363	407,207	(399,156)	
Less offsetting savings/reimbursements	—	(301,570)	(301,570)	Finding 3
Total program costs	\$ 806,363	105,637	\$ (700,726)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 105,637		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 28,600	\$ 18,845	\$ (9,755)	Finding 1
Test materials, supplies, and equipment	12,878	—	(12,878)	Finding 1
Pre-test and post-test coordination	728,655	286,948	(441,707)	Finding 1
Test administration	4,354	113,472	109,118	Finding 1
Reporting and recordkeeping	50,277	25,478	(24,799)	Finding 1
Total salaries and benefits	824,764	444,743	(380,021)	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	8,603	8,603	Finding 2
Total materials and supplies	—	8,603	8,603	
Total direct costs	824,764	453,346	(371,418)	
Indirect costs	42,228	23,211	(19,017)	Findings 1, 2
Total direct and indirect costs	866,992	476,557	(390,435)	
Less offsetting savings/reimbursements	—	(187,471)	(187,471)	Finding 3
Total program costs	<u>\$ 866,992</u>	289,086	<u>\$ (577,906)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 289,086</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 29,315	\$ 16,859	\$ (12,456)	Finding 1
Test materials, supplies, and equipment	13,200	—	(13,200)	Finding 1
Pre-test and post-test coordination	760,972	263,433	(497,539)	Finding 1
Test administration	4,463	84,004	79,541	Finding 1
Reporting and recordkeeping	51,535	28,253	(23,282)	Finding 1
Total salaries and benefits	859,485	392,549	(466,936)	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	8,476	8,476	Finding 2
Total materials and supplies	—	8,476	8,476	
Total direct costs	859,485	401,025	(458,460)	
Indirect costs	55,264	25,786	(29,478)	Findings 1, 2
Total direct and indirect costs	914,749	426,811	(487,938)	
Less offsetting savings/reimbursements	—	(219,620)	(219,620)	Finding 3
Total program costs	<u>\$ 914,749</u>	207,191	<u>\$ (707,558)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 207,191</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 30,077	\$ 19,076	\$ (11,001)	Finding 1
Test materials, supplies, and equipment	13,538	—	(13,538)	Finding 1
Pre-test and post-test coordination	783,688	304,618	(479,070)	Finding 1
Test administration	4,463	100,325	95,862	Finding 1
Reporting and recordkeeping	52,550	28,265	(24,285)	Finding 1
Total salaries and benefits	884,316	452,284	(432,032)	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	9,766	9,766	Finding 2
Total materials and supplies	—	9,766	9,766	
Total direct costs	884,316	462,050	(422,266)	
Indirect costs	49,875	26,060	(23,815)	Findings 1, 2
Total direct and indirect costs	934,191	488,110	(446,081)	
Less offsetting savings/reimbursements	—	(265,018)	(265,018)	Finding 3
Total program costs	\$ 934,191	223,092	\$ (711,099)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 223,092		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 229,964	\$ 20,982	\$ (208,982)	Finding 1
Test materials, supplies, and equipment	249	—	(249)	Finding 1
Pre-test and post-test coordination	339,390	333,620	(5,770)	Finding 1
Test administration	137,991	85,503	(52,488)	Finding 1
Reporting and recordkeeping	197,847	29,199	(168,648)	Finding 1
Total salaries and benefits	905,441	469,304	(436,137)	Finding 1
Materials and supplies:				
Test materials, supplies, and equipment	6,848	—	(6,848)	Finding 2
Reporting and recordkeeping	—	10,069	10,069	Finding 2
Total materials and supplies	6,848	10,069	3,221	
Total direct costs	912,289	479,373	(432,916)	
Indirect costs	45,341	23,825	(21,516)	Findings 1, 2
Total direct and indirect costs	957,630	503,198	(454,432)	
Less offsetting savings/reimbursements	—	(274,403)	(274,403)	Finding 3
Total program costs	\$ 957,630	228,795	\$ (728,835)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 228,795		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits				
Training, policies, and procedures	\$ 1,880	\$ —	\$ (1,880)	Finding 1
Test materials, supplies, and equipment	66	—	(66)	Finding 1
Pre-test and post-test coordination	17,138	—	(17,138)	Finding 1
Test administration	335	—	(335)	Finding 1
Reporting and record keeping	28,541	24,509	(4,032)	Finding 1
Total salaries and benefits	47,960	24,509	(23,451)	Finding 1
Materials and supplies				
Test materials, supplies, and equipment	46,959	—	(46,959)	Finding 2
Reporting and record keeping	24,296	10,207	(14,089)	Finding 2
Total materials and supplies	71,255	10,207	(61,048)	
Total direct costs	119,215	34,716	(84,499)	
Indirect costs	7,809	2,274	(5,535)	Findings 1, 2
Total direct and indirect costs	127,024	36,990	(90,034)	
Less offsetting savings/reimbursements	(116,551)	(73,620)	42,931	Finding 3
Less late filing penalty	(1,000)	(1,000)	—	
Adjustment to eliminate negative balance	—	37,630	37,630	
Total program costs	\$ 9,473	—	\$ (9,473)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ —		
<u>Summary: July 1, 1997, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits				
Training, policies, and procedures	\$ 373,035	\$ 116,611	\$ (256,424)	
Test materials, supplies, and equipment	63,897	—	(63,897)	
Pre-test and post-test coordination	3,950,638	1,816,134	(2,134,504)	
Test administration	160,007	621,676	461,669	
Reporting and record keeping	501,808	183,385	(318,423)	
Total salaries and benefits	5,049,385	2,737,806	(2,311,579)	
Materials and supplies				
Test materials, supplies, and equipment	53,807	—	(53,807)	
Reporting and record keeping	24,296	66,627	42,331	
Total materials and supplies	78,103	66,627	(11,476)	
Total direct costs	5,127,488	2,804,433	(2,323,055)	
Indirect costs	280,759	153,711	(127,048)	
Total direct and indirect costs	5,408,247	2,958,144	(2,450,103)	
Less offsetting savings/reimbursements	(116,551)	(1,746,746)	(1,630,195)	
Less late filing penalty	(1,000)	(1,000)	—	
Adjustment to eliminate negative balance	—	37,630	37,630	
Total program costs	\$ 5,290,696	1,248,028	\$ (4,042,668)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 1,248,028		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits and related indirect costs

The district claimed \$5,049,385 in salaries and benefits and \$275,752 in related indirect costs for the audit period. We determined that \$2,311,579 in salaries and benefits and \$125,792 in related indirect costs are unallowable. The unallowable costs consist of unsupported costs and ineligible costs.

We worked with the district to develop time standards for determining allowable costs for fiscal year (FY) 1997-98 through FY 2003-04. The district applied the time standards to the audit period based on FY 2007-08 documentation.

We randomly selected sample school sites from each category of elementary schools, middle schools, high schools, and alternative schools. We interviewed school site coordinators and district coordinators. We reviewed supporting documentation such as agendas, training packets, sign-in sheets, calendars, testing schedules, cumulative files with STAR labels, security affidavits, and data relevant to STAR activities performed at the sites and district's administrative office. Through interviews and supporting documentation, the district developed time standards for training, policies, and procedures; pre-test and post-test coordination; test administration; and reporting and recordkeeping activities performed at the sites and district office. District staff determined the hours each site and district office spent performing STAR activities for the audit period by applying the time standard to the number of tested students.

The district's STAR costs included the following tests: California Standards Tests (CST); California Alternate Performance Assessment (CAPA); California Modified Assessment (CMA); California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST, CAPA, and CMA tests are not reimbursable because they were not pled in the test claim that created this mandate.

The district developed the reimbursable rates based on the number of tests published on the California Department of Education's STAR Web site. The mandated reimbursable portions for STAR activities were as follows: 70.89% for FY 1998-99, 71.06% for FY 1999-2000, 64.74% for FY 2000-01, 65.01% for FY 2001-02, 63.50% for FY 2002-03, and 62.43% for FY 2003-04. The mandated reimbursable rate for FY 1997-98 was 100% because the STAR tests for the year consisted entirely of reimbursable tests. We calculated allowable costs for performing mandated STAR activities during audit period by applying these rates to the claimed costs.

The unsupported salaries and benefits and related indirect costs consist of claimed costs that were not supported with payroll records. The district provided Loaded Hourly Rates/Fund Resources spreadsheets showing site coordinators' monthly pay used in the calculation of productive

hourly rates. However, the district did not provide all source documents to validate the rates. In some instances, the district submitted the spreadsheets with erroneous entries.

The district claimed salaries and benefits and related indirect costs for ineligible personnel and activities. Examples of the ineligible costs include teacher time spent attending, training, and performing test administration activities, and time spent on test materials, supplies, and equipment activities outside of the reimbursable period.

The district provided clerks' productive hourly rates for FY 1997-98 through 2003-04. As clerks were the staff members who handled cumulative files with STAR labels, we allowed the productive hourly rates for reporting and recordkeeping activities for all audited years.

- For FY 1997-98, the district provided a letter indicating that most requested source documents were not available. However, the district produced a payroll data worksheet based on the available information and requested that we accept the district's calculated rates and applicable resource codes as they had been reviewed for accuracy by the Payroll Supervisor. We tested productive hourly rates for 15 employees and were able to trace the data used to compute productive hourly rates to source documents.
- For FY 1998-99, we tested productive hourly rates for 11 employees. Data for six employees (55%) disagreed with source documents. These employees' productive hourly rates were either overstated or understated. Due to the discrepancies, we were not confident that the data used to compute productive hourly rates were accurate. We notified the district and requested that they provide us with a corrected payroll data spreadsheet by November 16, 2009; however, the district did not submit the requested information. Therefore, we only allowed costs that were supported by the source documents used in the calculation of productive hourly rates. We adjusted the rates accordingly, and conducted a telephone conference with Mohammad Z. Islam, Chief Business Officer, and his staff on February 11, 2010.

After the conference, the district resubmitted the FY 1998-99 Loaded Hourly Rates/Fund Resources for Site Coordinators spreadsheet and supporting payroll records. As the previously submitted spreadsheet contained many erroneous entries, we verified the entire spreadsheet to the supporting payroll records and adjusted the rates accordingly. The district indicated that it used the salaries for November 1998 for the periods that the district was unable to provide supporting payroll records. The district stated that it has two anniversary dates for salary increases, on July 1 and January 1, but used the lower rates. We allowed these periods as the district was able to provide supporting payroll records for the preceding or subsequent periods.

- For FY 1999-2000, we tested 156 entries of monthly pay and funding codes for site coordinators and found no errors. For the months that payroll records were not available, the district indicated that they used the salaries from preceding months.

- For FY 2000-01, we also tested 156 entries of monthly pay and funding codes for site coordinators and found 12 unsupported entries. Normally, we would notify the district and request additional payroll records so that these entries could be verified. As the district submitted the information on the deadline of May 17, 2010, our review was based on documentation received on that day. Therefore, the unsupported entries were not allowed. As our test disclosed many unsupported entries, we verified the entire spreadsheet. Though the district did not provide supporting payroll records for September 2000 through December 2000, and February 2001 through April 2001, we allowed these entries when the district provided payroll records for preceding or subsequent periods such as July 2000, August 2000, January 2001, May 2001, or June 2001.
- For FY 2001-02, the district stated that it did not have information for the San Bernardino City Unified Program so did not wish to claim this site. We tested 336 pay and funding code entries and found three erroneous pay entries. We notified the district and tested an additional 360 entries and found three erroneous pay entries. We did not find any errors with funding code entries. We corrected the errors and verified the computation of productive hourly rates.
- For FY 2002-03, the district stated that it did not have information for the San Bernardino City Unified Program so did not wish to claim the site. We tested 624 entries and found one erroneous entry. As the error rate was low at .02%, we corrected the errors and verified the computation of productive hourly rates.
- For FY 2003-04, the district did not provide payroll data or source documents to support the salaries of employees who performed STAR activities.

The following table summarizes the unallowable salaries and benefits by reimbursable activity and related indirect costs:

	Fiscal Year							
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	Total
Salaries and benefits:								
Training, policies, and procedures	\$ (1,670)	\$ (10,680)	\$ (9,755)	\$ (12,456)	\$ (11,001)	\$ (208,982)	\$ (1,880)	\$ (256,424)
Test materials, supplies, and equipment	(11,753)	(12,213)	(12,878)	(13,200)	(13,538)	(249)	(66)	(63,897)
Pre-test and post-test coordination	(266,487)	(426,793)	(441,707)	(497,539)	(479,070)	(5,770)	(17,138)	(2,134,504)
Test administration	142,554	87,417	109,118	79,541	95,862	(52,488)	(335)	461,669
Reporting and recordkeeping	(45,620)	(27,757)	(24,799)	(23,282)	(24,285)	(168,648)	(4,032)	(318,423)
Total direct costs	(182,976)	(390,026)	(380,021)	(466,936)	(432,032)	(436,137)	(23,451)	(2,311,579)
Indirect costs	(10,869)	(17,863)	(19,457)	(30,024)	(24,367)	(21,676)	(1,536)	(125,792)
Audit adjustment	\$ (193,845)	\$ (407,889)	\$ (399,478)	\$ (496,960)	\$ (456,399)	\$ (457,813)	\$ (24,987)	\$ (2,437,370)

The program's parameters and guidelines (section IV.B) state:

For each eligible claimant, the following activities to administer the designated achievement and primary language tests are eligible for reimbursement. (A) Training, Policies and Procedures, (B) Test Materials, Supplies, and Equipment, (limited to reimbursement from January 2, 1998 through December 15, 1999), (C) Pretest and Posttest Coordination, (D) Test Administration, and (E) Reporting and Record Keeping.

The program's parameters and guidelines (section VI.A.) state:

. . . all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Documents may include, but are not limited to, worksheets, employee time records or time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities. . . .

The parameters and guidelines (section V.A.1.) state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines (section IV.B.1.) allow test materials, supplies, and equipment costs from January 2, 1998, through December 15, 1999.

Recommendation

We recommend that the district verify claimed costs for reimbursement to ensure that all claimed costs are reimbursable under the program's parameters and guidelines, properly reported, and supported with source documents.

District's Response

The district agreed with the finding and recommendation.

**FINDING 2—
Overstated materials
and supplies and
related indirect costs**

The district claimed \$78,103 in materials and supplies and \$5,007 in related indirect costs for the audit period. Our audit determined that claimed costs were overstated by \$11,476 in materials and supplies and \$1,256 in related indirect costs.

For FY 1997-98 through FY 2002-03, the district did not claim reporting and record keeping costs related to mailing student test results. For FY 2003-04, the district claimed reporting and recordkeeping costs that were unsupported. Our review of students' files at the sampled schools indicated that the schools recorded, maintained, and mailed the STAR test results to students' parents or guardians for the entire audit period. As our reviews indicated that the district performed reporting and recordkeeping activities, we calculated materials and supplies expenses used for these activities. Our calculation was based on effective first-class USPS postage rates and the number of tested students district-wide in FY 1997-98 through FY 2003-04. As a result, we allowed \$56,420 for reporting and recordkeeping activities costs for FY 1997-98 through 2002-03. We also determined that the district overstated reporting and recordkeeping costs by \$14,089 for FY 2003-04.

For FY 2002-03 and FY 2003-04, the district claimed unallowable test materials, supplies, and equipment costs of \$53,807.

The following table summarizes the net overstatement for materials and supplies and related indirect costs by reimbursable activities:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and supplies:								
Direct costs								
Test materials, supplies, and equipment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (6,848)	\$ (46,959)	\$ (53,807)
Reporting and recordkeeping	11,155	8,351	8,603	8,476	9,766	10,069	(14,089)	42,331
Total direct costs	11,155	8,351	8,603	8,476	9,766	3,221	(61,048)	(11,476)
Indirect costs	663	382	440	546	552	160	(3,999)	(1,256)
Audit adjustment	<u>\$ 11,818</u>	<u>\$ 8,733</u>	<u>\$ 9,043</u>	<u>\$ 9,022</u>	<u>\$ 10,318</u>	<u>\$ 3,381</u>	<u>\$ (65,047)</u>	<u>\$ (12,732)</u>

The program's parameters and guidelines (section VI.A.) state:

... all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Documents may include, but are not limited to, worksheets, employee time records or time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities. ...

The program's parameters and guidelines (section V.2.) state:

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases should be at the actual price after deducting discounts, rebates, and allowances received by the claimant.

The parameters and guidelines (section IV.E.) state:

The cost of materials and supplies used for reporting (including paper and envelopes), the cost of postage for mailing reports to parents, and the cost of computer programming used for reporting purposes is reimbursable under this activity.

Recommendation

We recommend that the district verify claimed costs for reimbursement to ensure that all claimed costs are reimbursable under the program's parameters and guidelines, properly reported, and supported with source documents.

District's Response

The district agreed with the finding and recommendation.

**FINDING 3—
Understated mandate-
related offsetting
savings/reimbursements**

The district understated offsetting savings/reimbursements by \$1,630,195 for the audit period.

The district did not claim mandate-related STAR apportionments received from the California Department of Education (CDE) for FY 1997-98 through FY 2002-03. It also misstated the mandate portion for FY 2003-04. The understated apportionment totaled \$670,796.

In addition, the district did not offset salaries and benefits and related indirect costs funded with restricted resources for FY 1997-98 through FY 2002-03. Based on alternative reimbursable methodology described in Finding 1, we determined that \$959,399 in costs were funded with restricted resources.

The following table summarizes the understated offsetting reimbursements and other reimbursements on the claim:

	Fiscal Year							
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	Total
Offsetting revenues								
CDE apportionments	\$ 243,461	\$ 292,491	\$ 83,699	\$ 99,350	\$ 105,648	\$ 110,932	\$ 117,924	\$ 1,053,505
Mandated reimbursable rates	(100.00)%	(70.89)%	(71.06)%	(64.74)%	(65.01)%	(63.50)%	(62.43)%	
Mandated-related apportionments	(243,461)	(207,347)	(59,476)	(64,319)	(68,682)	(70,442)	(73,620)	\$(787,347)
Less claimed CDE apportionments	—	—	—	—	—	—	116,551	116,551
Over/(under)stated apportionment	(243,461)	(207,347)	(59,476)	(64,319)	(68,682)	(70,442)	42,931	\$(670,796)
Salaries and benefits costs and related indirect costs funded by restricted resources	(181,583)	(94,223)	(127,995)	(155,301)	(196,336)	(203,961)	—	(959,399)
Audit adjustment	<u>\$ (425,044)</u>	<u>\$ (301,570)</u>	<u>\$ (187,471)</u>	<u>\$ (219,620)</u>	<u>\$ (265,018)</u>	<u>\$ (274,403)</u>	<u>\$ 42,931</u>	<u>\$(1,630,195)</u>

The parameters and guidelines (section VII) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds and other state funds shall be identified and deducted from the claim.

Recommendation

We recommend that the district ensure that any offsetting savings/reimbursements from any source be identified and deducted from costs claimed.

District's Response

The district agreed with the finding and recommendation.

**FINDING 4—
Noncompliance with
reporting requirement
of the STAR Program
test results**

FY 1997-98 and FY 1998-99 board minutes included school-by-school and district-wide STAR test reports as required by the mandate. However, the other fiscal years were not in compliance with the mandate for the following reasons:

- FY 1999-2000, FY 2000-01, and FY 2001-02 board minutes included district-wide but not school-by-school STAR test reports.
- FY 2002-03 board minutes included grade-level but not school-by-school STAR test reports.
- FY 2003-04 board minutes did not include either district-wide or school-by-school STAR test reports.

The parameters and guidelines (section E) state:

Reporting the results of the STAR Program tests to the school district governing board or county office of education on a district-wide and school by school basis. . . .

Recommendation

We recommend that the district implement policies and procedures to ensure STAR test results are reported to the board and recorded in the board minutes.

District's Response

The district agreed with the finding and recommendation.

**Attachment—
District's Response to Draft Audit Report**

Mohammad Z. Islam, Chief Business and Financial Officer, Business Services

February 3, 2011

Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
California State Controller's Office
P.O Box 942850
Sacramento, CA 94250-5874

RE: Standardized Testing and Reporting (STAR) Program - Audit
July 1, 1997 through June 30, 2004

This is in response to the audit Draft Report, prepared by the State Controller's Office (SCO), dated January 6, 2011. The San Bernardino City Unified School District claimed \$5,290,696 in reimbursements for Mandated Cost expenditures related to the STAR Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The Commission on State Mandates (CSM) determined that this new legislation imposed a state mandate, reimbursable under Government Code section 17561, but not until August 24, 2000. Parameters and guidelines (P & G) and claiming instructions were not adopted and made available until January 24, 2002.

The District retroactively claimed reimbursements through July 1, 1997; however, the claiming timeframe affected our ability to produce source documentation that would support our claim. Working with the State Controller's Office (SCO), time standards were developed to determine the allowable cost for FY 1997-98 through FY 2003-04. The standards were applied to the entire audit period.

I have reviewed the entire audit Draft Report and I concur with the findings. Please feel free to contact me at (909) 381-1164, should you have additional questions.

Sincerely,

Mohammad Z. Islam
Chief Business and Financial Officer
San Bernardino City Unified School District

cc: Derek Harris, Interim Director, San Bernardino City USD

BUSINESS SERVICES DIVISION

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